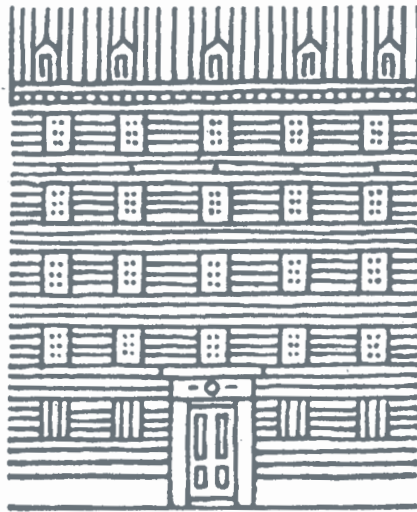


*The* NOBEL-  
FOUNDATION



*Annual Report 2013*



NOBELSTIFTELSEN

The Nobel Foundation



# THE NOBEL FOUNDATION

SWEDISH REGISTRATION NUMBER 802002-4462

## ANNUAL REPORT

2013

The Nobel Foundation, Box 5232, SE-102 45 Stockholm

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# TASKS AND ORGANISATION

**T**he Nobel Foundation is a private foundation established in 1900 on the basis of the will of Alfred Nobel and the founding statutes promulgated in connection with the will. Its primary purpose is to ensure that the intentions of the will of Alfred Nobel are fulfilled.

One central task of the Foundation is to protect the common interests of the prize-awarding institutions and represent all the Nobel institutions externally. This includes, for instance, broad informational activities aimed at disseminating knowledge about the Nobel Prize and preserving the trademarks that have been established during more than a century in conjunction with the awarding of the Nobel Prize.

The Foundation manages the assets made available for awarding the Nobel Prizes in such a way as to safeguard the economic base and guarantee the independence of the Nobel Prize-awarding institutions in their work of selecting Laureates.

The Nobel Foundation also administers Nobel Symposia in the respective fields covered by the Prizes and is responsible for the publication of the Nobel lectures of the Laureates on the official website of the Nobel Prize, [Nobelprize.org](http://Nobelprize.org).

In recent years, the Nobel Foundation has expanded its informational activities to such an extent that it has become necessary to form new organisations to run and develop these activities, which may not be defrayed by funds from the Nobel Foundation. In 1999 the non-profit Nobel Foundation Rights Association was thus established. Its purpose is to engage in informational, museum, research, development, media and related work in the Nobel Foundation's sphere of interest.

The non-profit association has an overall function as the umbrella organisation for the following six units: the wholly owned limited liability companies Nobel Group Interests AB, Nobel Media AB, Nobelmuseet AB (the Nobel Museum), Nobelhuset AB in Stockholm and Nobels Fredspris – Forskning og Informasjon AS (Nobel Peace Prize – Research and Information) in Oslo as well as Stiftelsen Nobels Fredssenter (the Nobel Peace Center Foundation) in Oslo. The foremost task of these organisations is to disseminate information and knowledge about the Nobel Prize and the contributions of the Nobel Laureates and to stimulate interest in science and humanism. For detailed presentations of the organisations and their activities, see the printed publication “The Nobel Foundation 2013 Annual Review”.

The Nobel Prize-awarding institutions – the Royal Swedish Academy of Sciences, the Nobel Assembly at Karolinska Institutet, the Swedish Academy and the Norwegian Nobel Committee – appoint fifteen members to the Trustees of the Nobel Foundation, for two calendar years at a time. Of these, the Academy of Sciences elects six representatives, and

the other prize-awarding institutions three each. In addition to these members, the Academy of Sciences appoints four deputy members and each of the other prize-awarding institutions two. The Trustees elect a Chairman from among their own number. The most important task of the Trustees is to appoint the Board of Directors of the Nobel Foundation.

The Nobel Foundation is represented by a Board of Directors, which consists of seven members and two deputy members appointed by the Trustees of the Nobel Foundation. The Board members and deputy members are selected for a period of two years at a time. From among its own members, the Board elects a Chairman, a Vice Chairman and an Executive Director. The Trustees decide whether to discharge the members of the Board from personal liability for the preceding financial year.

The Nobel Foundation's administration and accounts are examined annually by six auditors, who work together in the Council of Auditors. The Trustees appoint one of the Foundation's auditors, who is to be an authorised public accountant. The other auditors are appointed by the prize-awarding institutions, except that their Chairman is appointed by the Swedish Government. All auditors are elected for a period of one year at a time.

The Nobel Foundation owns two properties, located at Sturegatan 14 in Stockholm and Henrik Ibsens gate 51 in Oslo. The Foundation has its registered office in Stockholm but also carries out administrative activities in Oslo.

# REPORT OF THE DIRECTORS, 2013

## THE NOBEL PRIZE

### THE 2013 NOBEL LAUREATES

Since 1901, the Nobel Prize has been awarded 561 times to 876 Laureates. Because some have been awarded the Prize twice, a total of 847 individuals and 22 organisations have received a Nobel Prize or the Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel.

THE NOBEL PRIZE IN PHYSICS was awarded to FRANÇOIS ENGLERT and PETER W. HIGGS “*for the theoretical discovery of a mechanism that contributes to our understanding of the origin of mass of subatomic particles, and which recently was confirmed through the discovery of the predicted fundamental particle, by the ATLAS and CMS experiments at CERN’s Large Hadron Collider*”.

THE NOBEL PRIZE IN CHEMISTRY was awarded to MARTIN KARPLUS, MICHAEL LEVITT and ARIEH WARSHEL “*for the development of multiscale models for complex chemical systems*”.

THE NOBEL PRIZE IN PHYSIOLOGY OR MEDICINE was awarded to JAMES E. ROTHMAN, RANDY W. SCHEKMAN and THOMAS C. SÜDHOF “*for their discoveries of machinery regulating vesicle traffic, a major transport system in our cells*”.

THE NOBEL PRIZE IN LITERATURE was awarded to ALICE MUNRO, “*master of the contemporary short story*”.

THE NOBEL PEACE PRIZE was awarded to the ORGANISATION FOR THE PROHIBITION OF CHEMICAL WEAPONS (OPCW) “*for its extensive efforts to eliminate chemical weapons*”

THE SVERIGES RIKSBANK PRIZE IN ECONOMIC SCIENCES IN MEMORY OF ALFRED NOBEL was awarded to EUGENE F. FAMA, LARS PETER HANSEN and ROBERT J. SHILLER “*for their empirical analysis of asset prices*”.

#### THE NOBEL WEEK IN STOCKHOLM

The official Nobel Week programme began on December 6, when the Laureates were welcomed to the Nobel Museum. In the following days the Laureates participated in press conferences, Nobel lectures and dinners organised by the prize-awarding institutions. The reception at the Nordic Museum on December 9 was organised jointly by the Nobel Foundation and the Royal Swedish Academy of Sciences. The Nobel Foundation was also responsible for carrying out the Nobel Prize Award Ceremony at the Concert Hall and the Nobel Banquet at the City Hall on December 10.

As part of the official Nobel Week programme, on December 9 the Nobel Media organised the Nobel Week Dialogue – a full-day seminar on the theme of “Exploring the Future of Energy”, aimed at promoting a broader dialogue between researchers and society. The 2013 seminar took place in Gothenburg, Sweden.

Nobel Media also produced the “Nobel Minds” television discussion programme in collaboration with the British Broadcasting Corporation (BBC) and hosted the Nobel Prize Concert. In conjunction with the Nobel Week, the website Nobelprize.org published interviews with Laureates, video recordings of the 2013 Nobel Lectures as well as the Nobel Prize Award Ceremonies in Stockholm and Oslo and – for the first time – podcasts of interviews with the Laureates.

The Nobel Week ended on December 12 with a reception at the Nobel Foundation for all 2013 Laureates, including representatives of the Peace Prize Laureate, the OPCW.

#### THE NOBEL DAYS IN OSLO

Ahmet Üzümcü, Director-General of the OPCW, participated during the 2013 Nobel Days in Oslo. On December 9, a press conference took place and the BBC and the Norwegian Broadcasting Corporation (NRK) conducted interviews. The Prize Award Ceremony at the City Hall in Oslo on December 10 was followed by interviews with the Cable News Network (CNN). On the same evening, a Nobel Banquet was held at the Grand Hotel.

On December 11 the exhibition “Combating Chemical Weapons” was inaugurated at the Nobel Peace Center by Ahmet Üzümcü. That same evening, the Nobel Peace Prize Concert took place at the Oslo Spektrum Arena for the twentieth consecutive year.

#### STATEMENT TO THE STOCKHOLM COUNTY ADMINISTRATIVE BOARD CONCERNING THE NOBEL PEACE PRIZE

During 2012, the County Administrative Board initiated and later closed a regulatory oversight case concerning the Nobel Foundation’s responsibility for the task of selecting Nobel Laureates. To follow up this case and the opinions that emerged during the subsequent debate, during 2013 the Nobel Foundation organised a conference with all the prize-awarding institutions to exchange experience, among other things about their selection processes, for the purpose of ensuring processes that live up to the high standards that may be imposed on institutions of this type. In addition, the Nobel Foundation’s Board of Directors petitioned Sweden’s Legal, Financial and Administrative Services Agency (Kammarkollegiet) to request that regulatory oversight of the Nobel Foundation pursuant to the Foundations Act shall not include evaluating the merits of prize-awarding decisions.

#### LEGAL ACTION IN CALIFORNIA

In December 2012 Rongxiang Xu, a private individual based in the United States, filed a lawsuit against the Nobel Assembly at Karolinska Institutet and thus the Nobel Foundation in the Superior Court of California, County of Orange. The suit demands an unspecified amount of financial damages due to alleged defamation owing to the way the announcement of the 2012 Nobel Prize in Physiology or Medicine ascribes certain scientific discoveries to the Laureates, John B. Gurdon and Shinya Yamanaka. The suit was dismissed in September 2013. The reason given for the dismissal was that the Nobel Foundation is not subject to the jurisdiction of the California court. A concurrent request by Xu to change his suit was dismissed by the same ruling. In December 2013 Rongxiang Xu appealed the dismissal ruling to the United States Court of Appeal for the Ninth Circuit. Oral arguments are expected to take place before the Ninth Circuit Court during the spring of 2015, whereupon a ruling can be expected after 3-12 months.



## INFORMATIONAL ACTIVITIES

The Nobel Foundation is entrusted with managing and carefully developing the trademarks and the intangible assets that have been built up during the more than century-long history of the Nobel Prize. It has become increasingly important for the Nobel Foundation to actively maintain and protect its trademarks and copyrights in a long-term perspective. The value of these assets is closely connected to the good reputation and international status of the Nobel Prize. During 2013 an international trademark study was conducted that examined awareness of the Nobel Prize and its reputation in five different markets in Europe, the United States, South America and Asia.

A significant part of the day-to-day activities of the Nobel Foundation also consists of disseminating information about the Nobel Prize, the Nobel Laureates, the Nobel system and the Foundation and its work in general.

### THE NOBEL CENTER IN STOCKHOLM

During 2013 much of the financing for the Nobel Center, which will be built on the Blasieholmen peninsula in central Stockholm, was secured through a donation of SEK 800 m from the Erling-Persson Family Foundation and the Knut and Alice Wallenberg Foundation. It was thus deemed possible to begin the international architectural competition that will lead to a conceptual proposal for the Nobel Center. During the year, Bernard and Barbro Osher also contributed approximately USD 1.2 m to finance the project.

On December 3 Susanne Lindh, former Director of the City of Stockholm's Planning Department, was appointed Chief Executive Officer of Nobelhuset AB and assumed her position on February 1, 2014. Nobelhuset AB is the company that will build and own the Nobel Center.

### NOBEL SYMPOSIA

The Nobel Foundation's symposium programme was initiated in 1965. The symposia are devoted to areas of science where breakthroughs are occurring or deal with topics of primary cultural or social significance. Over the years, they have achieved a high international standing. The cost of symposium activities during 2013 totalled SEK 0.3 m (3.3).

The symposium programme is administered by a committee including representatives of the prize-awarding institutions. The Executive Director of the Nobel Foundation is the committee chairman.

During 2013 the following Nobel Symposium took place:

NS 154

*Large Hadron Collider*

Organiser: Professor Tord Ekelöf

Krusenberg Herrgård, Uppsala, Sweden, May 13–17, 2013

Approved grant: SEK 1,037,500

## FINANCIAL MANAGEMENT

### ORGANISATION AND STRATEGY OF ASSET MANAGEMENT

The objective of the Nobel Foundation's investment activities is to achieve a sufficiently high return over time to safeguard the financial base of the Nobel Prizes and guarantee the independence of the work of the Prize Committees in selecting the Laureates. This asset management must take into account the various risks that exist in financial markets.

The Foundation aims at average total inflation-adjusted returns of at least 3.5 per cent. This return level shall be achieved while maintaining well-balanced overall asset management risks. One important reason why a return target of at least 3.5 per cent has been set is that returns could then exceed by a certain margin the Foundation's estimated cost ratio of about 3 per cent.

The Foundation's asset management follows customary principles in such contexts. The Board of Directors establishes the asset management framework. This includes setting the overall principles for asset management with respect to oversight and ethical guidelines. Based on an assessment of risk and return, the Board sets intervals for how large the Foundation's holdings of equities, fixed income assets and alternative assets (among them property funds, infrastructure funds and hedge funds) should normally be. This has resulted in a portfolio strategy of 55 per cent  $\pm$  10 percentage points invested in equities including private equity holdings (of which 20 per cent Swedish equities), 20 per cent  $\pm$  10 points in fixed income assets and 25 per cent  $\pm$  10 points in alternative assets. To measure short-term returns, the Foundation uses a benchmark portfolio consisting of 55 per cent equities (44 per cent MSCI All Country World Index and 11 per cent SIX Return Index), 20 per cent bonds (Handelsbanken All Bond Index) and 25 per cent alternative assets (HFRI Fund of Funds Composite Index). In a longer perspective, the Foundation also compares its returns on a moving five-year basis with those of other official Nordic asset managers.

The principles and mandates set by the Board of Directors constitute the starting point of the work of the Nobel Foundation's Investment Committee. The Committee is responsible for regularly re-assessing the principles and rules that govern asset management operations and submitting proposals for changes. In addition, the Committee makes decisions on how the intervals that the Board has set for various asset classes shall be utilised over time – allocation decisions. The Committee also decides how to apportion the Foundation's assets among various continents and countries and, where appropriate, what management style shall be applied, for example growth or value shares as well as interest rate and credit risk.

The choice of managers for each asset class is also made by the Committee. In choosing managers, the Committee attaches importance to such factors as investment philosophy, investment process, historically achieved management returns, risk control systems, management organisation, fees and other working methods. The Nobel Foundation shall maintain a dialogue with its asset managers regarding ethical guidelines; for example, the United Nations Global Compact may be used. For the Nobel Foundation's direct investments, the UN Global Compact shall be used.

In order to make oversight and follow-up easier, the Nobel Foundation is endeavouring to gradually further reduce its number of asset managers. As for equities, the Nobel Foundation mainly invests in passive low-cost index funds in liquid and transparent markets. The reason is that in markets of this kind, it is difficult to achieve above-index returns after fees.

The Investment Committee itself determines what decisions it wishes to delegate to the executive management of the Foundation. Asset management is carried out with a small organisation. The Chief Investment Officer is responsible for preparing matters for decisions by the Committee, following up and executing these decisions, procuring fund managers and providing the necessary analysis and preparatory materials.

#### OVERALL POSITION AND EARNINGS

The market value of the Nobel Foundation's total invested capital amounted to SEK 3,437 m (3,075) at the end of 2013. Excluding the value of the Foundation's administrative properties, portfolio capital amounted to SEK 3,262 m (2,900) at the end of 2013. Portfolio capital was allocated among 56 (55) per cent equities, 15 (16) per cent fixed income assets and 29 (29) per cent alternative assets. Starting in 2013, private equity holdings are included in the equities asset class. They accounted for 3 per cent of portfolio capital at year-end. Return on portfolio capital amounted to 16.4 per cent (8.2) for the year.

Total return on equity – growth in Foundation assets after adding back the overall sum of all Nobel Prizes and operating expenses – amounted to 15.3 (7.8) per cent.

Book profit for the year amounted to SEK 72.2 m (–37.4). The year's improvement in earnings was mainly attributable to asset management, with net realised change in value contributing the most and amounting to SEK 81.3 m, compared to SEK –6.7 m in 2012. Dividends increased from SEK 26.5 m to SEK 41.0 m. Operating expenses fell from SEK 67.9 m to SEK 59.6 m.

#### OUTFLOW AND EXPENSES

The overall sum of all Nobel Prizes and operating expenses was SEK 99.6 m (107.9). This was divided among three main categories: the Prizes and compensation to the Prize Committees, SEK 66.0 m (70.1); the Nobel Week in Stockholm and Oslo, SEK 16.4 m (15.6); plus administration, Nobel Symposia etc., SEK 17.2 m (22.4).

Compensation to the Prize Committees amounted to SEK 26.0 m (30.1) during the year. Since the Prize Committees are entitled to allocate their compensation to some extent between years, natural fluctuations occur.

Central administrative expenses decreased from SEK 18.9 m to SEK 16.8 m. The real increase in expenses during the year related to salaries and pensions was marginal, since the 2012 figure includes a nonrecurring reversal. A significant saving of more than SEK 6.0 m was made during the year related to the cost of fees. This saving arose due to a new financial agreement with Nobel Media AB related to that company's task of running the official Nobel Prize website Nobelprize.org. During the year, the Foundation was concurrently charged nonrecurring expenses related to fees, and the effect of the saving that was implemented was therefore not fully visible. The lawsuit in the United States resulted in attorney expenses of about SEK 3.0 m. The Foundation's directly owned properties contributed lower earnings than in 2012 due to increased maintenance.

Expenses related to the Nobel Week in Stockholm and Oslo increased by SEK 0.8 m and totalled SEK 16.4 for the year. Continued restrictiveness, aimed at reducing expenses, again characterised this work in 2013 but the number of Laureates was larger than in 2012.

Only one Nobel Symposium was held during 2013. In 2012 the number was three. In addition, unutilised funds of SEK 0.8 m were recovered, and net expenses in 2013 therefore amounted to SEK 0.3 m.

The Foundation's expenditure ratio – the total amount for all Nobel Prizes and operating expenses as a percentage of the market value of the Foundation's equity on January 1 – was 3.3 (3.7) per cent in 2013.

## MARKET VALUE OF PORTFOLIO CAPITAL BY ASSET CLASS (%)

	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009
<i>Investments in equities</i>					
Sweden	9	8	8	9	8
Other countries	47	46	43	49	47
	<u>56</u>	<u>54</u>	<u>51</u>	<u>58</u>	<u>55</u>
<i>Fixed income investments</i>					
Sweden	10	12	15	16	15
Other countries	5	4	5	6	4
	<u>15</u>	<u>16</u>	<u>20</u>	<u>22</u>	<u>19</u>
<i>Alternative investments</i>					
Property funds	9	9	9	7	7
Hedge fund	20	21	20	13	19
	<u>29</u>	<u>30</u>	<u>29</u>	<u>20</u>	<u>26</u>
<b>Total portfolio capital</b>		<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## THE INVESTMENT PORTFOLIO

The total market value of portfolio capital (total invested capital excluding administrative properties) amounted to SEK 3,262 m (2,900). Return on portfolio capital was 16.4 per cent, compared to 14.4 per cent for benchmark indices. The main explanation behind these better returns was a certain overweighting of equity investments plus the fact that the Foundation's equity and fixed income investments performed better than their benchmark indices. Hedge fund holdings also performed somewhat better than their index, but property-related holdings pulled down returns. Equities contributed 13.4 per cent to overall earnings, fixed income investments 0.6 per cent, alternative investments 2.2 per cent and currency hedges 0.2 per cent.

The allocation of portfolio capital by asset class diverges from reported book value because indirectly owned properties are included under the heading "Properties" and because any liquidity in the portfolios of asset managers are reported by asset class.

## INVESTMENTS IN EQUITIES

The market value of the Foundation's investments in equities totalled SEK 1,818 m (1,579). Investments in equities accounted for 55.7 (54.5) per cent of portfolio capital at year-end 2013. This consisted of investments in Sweden, 17 (15) per cent; the rest of Europe, 18 (13) per cent; the United States, 36 (35) per cent; Japan, 0 (0) per cent; private equity 5 (6) per cent; and other equities 24 (31) per cent. The biggest changes during the year were re-allocations from the US and emerging markets to Europe. The market value of private equity holdings totalled SEK 90 m (94).

Most of the world's stockmarkets rose during 2013. As a result, the MSCI All Country World Index, expressed in SEK, rose by 21.2 (10.3) per cent. The value of the Nobel Foundation's total equities portfolio rose by 24.6 (10.5) per cent. This was better than its benchmark indices<sup>1</sup>, which rose by 22.8 (10.3) per cent. These better earnings were explained primarily by the Foundation's comparatively large percentage of American equities. Emerging market fund holdings showed lower returns than their benchmark indices. On the other hand, the fundamentally weighted RAFI index funds in the US and Europe beat their benchmarks by 3.9 and 4.5 percentage points, respectively. The Viking Long Fund stood out with returns a full 9.4 percentage points better than its benchmark index. The year's return on private equity holdings was 13.6 (9.5) per cent in local currencies.

During 2013 the mandate with T. Rowe Price to manage American mid cap funds was transferred to the T. Row Price Mid Cap Fund. The Foundation sold some of its holdings in the RAFI emerging markets fund, Handelsbanken's US index fund, Skagen Global and the T. Rowe Price Mid Cap Fund. The Foundation made purchases of the Handelsbanken Europe index and Aberdeen GEM equity funds.

#### FIXED INCOME INVESTMENTS

The market value of the Foundation's fixed income assets amounted to SEK 485 m (477). Fixed income assets accounted for 14.9 (16.4) per cent of portfolio capital at year-end 2013. Of these assets, 77 (75) per cent were attributable to Sweden while 17 (22) per cent consisted of international loans, emerging market loans and high yield bonds. Unlisted bond funds accounted for 6.0 (3.0) per cent of fixed income assets.

In addition to bond holdings, the fixed income investments asset class included liquid funds. The market value of unlisted bonds amounted to SEK 29 m (17).

Most sovereign bond yields in the world rose during 2013, and fixed income investments generally lost value. For example, the Barclays Capital Global Aggregate Bond Index showed a return of -2.6 per cent in US dollars (-2.6 per cent in Swedish kronor). The return on the Foundation's fixed income investments amounted to 3.1 (6.0) per cent during the year. This was better than the benchmark index<sup>2</sup>, which rose by only 0.1 per cent. The Foundation's higher return was explained primarily by its having maintained a shorter average maturity and more credit risk than the benchmark index. All of the Foundation's fixed income asset managers achieved earnings equal to or better than index, and Bluebay's return was 2.8 percentage points better than its benchmark index. The year's return on unlisted bonds was a full 16.5 (17.1) per cent in local currencies.

Early in 2013, the mandate with DNB to manage Swedish loans was replaced by an investment in the DNB FRN Fund. The Foundation sold a portion of its Bluebay loan fund holding. The average maturity in the fixed income portfolio was reduced early in the year.

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1 MSCI All Countries net (SEK) up to and including June 17, and thereafter 80 per cent MSCI All Country World net (of which one half currency hedged) + 20 per cent SIX Return Index.

2 Handelsbanken All Bond Index

## ALTERNATIVE ASSETS

The market value of the Foundation's alternative assets amounted to SEK 950 m (829). Alternative assets accounted for 29.1 (28.6) per cent of portfolio capital at year-end 2013. They are apportioned among hedge funds and property funds.

The market value of hedge fund holdings was SEK 652 m (522). Hedge funds accounted for 20.0 (18.0) per cent of portfolio capital at year-end 2013. The Foundation has holdings in seven hedge funds with different strategies. There are also four minor holdings that are in the process of final redemption. During 2013, the Foundation's hedge fund portfolio rose in value by 9.4 (8.2) per cent, while the benchmark index<sup>3</sup> rose by 8.7 (4.7) per cent in local currencies. Aside from the funds that are in the process of redemption, hedge fund holdings as a whole showed good earnings during the year.

During 2013, the Foundation invested in the Millennium, Two Sigma and Convexity hedge funds.

The Foundation's exposure to property funds, including infrastructure funds, amounted to 9.2 (10.6) per cent of portfolio capital at year-end 2013. This consisted of holdings in six property and infrastructure funds that invest in the United States, China, Sweden and other European countries. Fund ownership in Sweden is in the form of equities and shareholders' loans. During the year, the value of the property funds rose by 5.4 (5.8) per cent in local currencies.

The market value of directly owned properties amounted to SEK 175 m (175). This refers to the two administrative properties in Stockholm and Oslo, which the Foundation owns. They were appraised at 5.1 (5.7) per cent of total capital. These are not regarded as portfolio capital.

## CURRENCY HEDGING

At year-end 2013, the Foundation's invested capital was divided among SEK 1,659 m, USD 144 m, EUR 18 m and SEK 515 m other currencies. Exposure to foreign currencies marginally lowered earnings by 0.1 per cent. This was primarily because emerging market currencies fell in value by 6.8 per cent while the euro rose in value by 4.1 per cent. Most foreign fixed income and alternative investment assets were currency hedged, which resulted in an overall positive contribution of 0.2 per cent to earnings.

At year-end 2013 the amount of the underlying forward contracts was USD 90 m and EUR 32 m. At year-end, the value of these contracts was SEK 8.1 m (14.8) or 0.2 (0.5) per cent of the balance sheet.

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3 HFRI Fund of Funds Composite Index (local currencies)

#### ALLOCATION OF PROFIT FOR THE YEAR

Profit for the year before appropriations amounted to SEK 72.2 m (-37.4), of which SEK 81.3 m (-6.7) consisted of realised change in value. In compliance with the Foundation's statutes, SEK 13.2 m (26.0) was transferred to restricted equity to safeguard the inflation-adjusted value of the Foundation's equity over time. The Foundation shall make a provision to restricted equity in its accounts, either in an amount equal to the year's inflation calculated on the basis of the market value of the Foundation's equity or one tenth of total annual returns. The provision for 2013 applies the latter alternative. The above allocation has been taken into account in preparing the balance sheet.



## INCOME STATEMENT (amounts in SEK 000)

	Note	2013	2012
<i>Asset management</i>			
Interest income		14,869	15,686
Dividends		41,049	26,494
Realised change in value	1	81,340	-6,741
Less external asset management costs		-5,483	-4,983
<b>Reported earnings, asset management</b>		<u>131,775</u>	<u>30,456</u>
<i>Operating expenses</i>			
Compensation to Prize Committees		-25,958	-30,062
Central administration	2	-16,832	-18,912
The Nobel Week in Stockholm and Oslo		-16,408	-15,605
Symposium activities		-320	-3,276
Other expenses		-28	-40
	3	<u>-59,546</u>	<u>-67,895</u>
<b>Reported loss/profit for the year before appropriations</b>		<b>72,229</b>	<b>-37,439</b>

## ALLOCATION OF LOSS/PROFIT FOR THE YEAR

Capitalisation, restricted equity		13,178	25,958
Capitalisation, unrestricted equity		59,051	-63,397
		<u>72,229</u>	<u>-37,439</u>
The year's Nobel Prizes		<u>-40,000</u>	<u>-40,000</u>
<b>The year's change in book value of equity</b>	4	<b>32,229</b>	<b>-77,439</b>
The year's change in unrealised surplus values		<u>333,640</u>	<u>198,013</u>
<b>The year's change in market value of equity</b>	4	<b>365,869</b>	<b>-120,574</b>
Adjustment for deflation/inflation		<u>1,215</u>	<u>-25,958</u>
<b>Inflation-adjusted change in equity</b>	5	<b>367,084</b>	<b>94,616</b>

## BALANCE SHEET (amounts in SEK 000)

	Note	Dec. 31, 2012	Dec. 31, 2012
<b>Assets</b>			
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>			
Capitalised development expenses	6	2,160	2,974
		<u>2,160</u>	<u>2,974</u>
<i>Tangible fixed assets</i>			
Buildings and land	6	1,396	1,396
Equipment		718	931
		<u>2,114</u>	<u>2,327</u>
<i>Financial fixed assets</i>			
Miscellaneous long-term holdings of securities	7	2,727,653	2,596,626
Other long-term receivables	8	66,363	60,333
		<u>2,794,016</u>	<u>2,656,959</u>
<b>Total fixed assets</b>		<b>2,798,290</b>	<b>2,662,260</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Prepaid expenses and accrued income	9	6,285	7,783
Other current receivables	10	3,576	3,712
		<u>9,861</u>	<u>11,495</u>
<i>Short-term investments</i>			
Miscellaneous short-term investments	11	4,053	117,749
		<u>4,053</u>	<u>117,749</u>
<i>Cash and bank balances</i>		44,734	38,475
<b>Total current assets</b>		<b>58,648</b>	<b>167,719</b>
<b>Total assets</b>		<b>2,856,938</b>	<b>2,829,979</b>

## BALANCE SHEET (amounts in SEK 000)

	Note	Dec. 31, 2013	Dec. 31, 2012
<b>Equity and liabilities</b>			
<b>Equity</b>	12		
<i>Restricted equity</i>		2,171,955	2,158,777
<i>Unrestricted equity</i>		643,736	624,685
<b>Total equity</b>		2,815,691	2,783,462
<i>Provisions</i>			
Provisions for pensions		688	2,261
<b>Total provisions</b>		688	2,261
<b>Liabilities</b>			
Accounts payable		11,815	5,353
Accrued expenses and prepaid income	13	2,943	7,445
Other liabilities	14	25,801	31,458
<b>Total liabilities</b>		40,559	44,256
<b>Total equity and liabilities</b>		2,856,938	2,829,979
<b>Assets pledged</b>		None	None
<b>Contingent liabilities</b>			
Investment obligations, unlisted holdings		82,090	138,146

CASH FLOW STATEMENT (amounts in SEK 000)

	2013	2012
Cash flow from asset management	131,775	30,456
Operating expenses, excluding depreciation	-58,240	-66,519
<b>Cash flow from operations</b>	<b>73,535</b>	<b>-36,063</b>
Change in portfolio funds	-21,510	107,728
Other changes in assets and liabilities	-5,766	-19,777
The year's Nobel Prizes	-40,000	-40,000
<b>Cash flow for the year</b>	<b>6,259</b>	<b>11,888</b>
Liquid funds on January 1	38,475	26,587
<b>Liquid funds on December 31</b>	<b>44,734</b>	<b>38,475</b>

ACCOUNTING PRINCIPLES

The Annual Report has been drawn up in compliance with the Annual Accounts Act.

Receivables have been reported at the amount the Foundation expects to be paid. Current receivables and liabilities in foreign currencies have been valued at the year-end exchange rate. Other assets and liabilities have been reported at cost.

Depreciation is based on the original cost of property, plant and equipment and is distributed over their estimated economic life. Computers are depreciated in three years, other equipment in five years. Capitalised development expenses are depreciated in five years. Property write-downs occur only if the value of the properties has permanently fallen below their book value.

In addition to the amount reported as external asset management costs, when it comes to the Foundation's unit trust holdings, such costs are subtracted directly from the asset value of the holding.

Securities have been valued at cost or market value, whichever is lower, for the entire securities portfolio including administrative properties. When securities are sold, their cost is calculated according to the averaging method, i.e. at the average cost of all securities holdings of the same class. Gains and losses from the sale of securities are reported in the income statement as realised change in value.

The Foundation enters into forward contracts to hedge certain exchange rate changes. At maturity, the gain or loss on the forward contracts is reported.

The market value of certain alternative investments is affected by the fact that reporting from funds occurs with a certain time lag.

Interest is allocated among time periods on the basis of effective acquisition interest rate, which means that interest income for the period consists of coupon interest and change in accrued cost.

The Foundation has chosen to divide up its operating expenses by function. These sub-items are reported on a net basis.

## NOTES TO THE FINANCIAL STATEMENTS (amounts in SEK 000)

### Note 1

#### REALISED CHANGE IN VALUE

			2013		2012	
	Gains	Losses	Net amount	Gains	Losses	Net amount
Fixed income investments	7,608	331	7,277	8,763	937	7,826
Equities/fund units	150,914	76,851	74,063	145,067	159,634	-14,567
	158,522	77,182	81,340	153,830	160,571	-6,741

### Note 2

#### CENTRAL ADMINISTRATION

	2013	2012
Salaries and pensions, including social insurance expenses	8,528	6,512
Fees, including social insurance expenses	6,207	9,978
Travel expenses	217	342
Other personnel expenses	139	129
Office administration	1,242	1,394
Expenses for premises	1,832	1,853
Outcome, administrative property holdings	-251	-1,247
Grants, the Nobel Museum in Karlskoga	0	400
Depreciation	155	236
Exchange rate differences	-759	-118
Other administrative expenses	622	533
Cost compensation from Sveriges Riksbank	-1,100	-1,100
	16,832	18,912

### Note 3

#### SALARIES, FEES AND SOCIAL INSURANCE EXPENSES

	Board and Executive Director		Other employees	
	2013	2012	2013	2012
Salaries and fees	1,508	1,714	5,510	5,459
Social insurance expenses	1,091	1,145	3,487	3,221
- of which pension expenses	637	637	1,742	1,502

The average number of employees was 11 (11), of whom 8 (9) were women.

The Board has one female member and one female deputy member.

For a pension to the Executive Director after age 65, the Foundation paid an annual premium equivalent to 40 per cent of pensionable salary.

Note 4

CHANGE IN UNREALISED SURPLUS VALUES

<i>Equity</i>	Dec. 31, 2013	Dec. 31, 2012	<i>Change</i>
Market value	3,403,039	3,037,170	365,869
Less book value	<u>-2,815,691</u>	<u>-2,783,462</u>	<u>-32,229</u>
<b>Surplus value</b>	<b>587,348</b>	<b>253,708</b>	<b>333,640</b>

Note 5

INFLATION-ADJUSTED EQUITY

<i>Market value, Dec. 31, 2013</i>	3,037,170
Deflation adjustment	-1,215
Deflation-adjusted equity	3,035,955
Inflation-adjusted change in equity	94,616
<i>Market value, Dec. 31, 2013</i>	3,403,039
Of which, since Dec. 31, 1995*:	
Inflation adjustment	711,213
Change in inflation-adjusted value	535,713

\*) The first year of these calculations was 1996.

Using average values for each year, the Swedish Consumer Price Index fell by 0.04 per cent from 2012 to 2013. The deflation adjustment was thus SEK -1,215.

Note 6

INTANGIBLE FIXED ASSETS

	Dec. 31, 2013	Dec. 31, 2012
<b>Capitalised development expenses</b>		
Cost, January 1	4,810	4,370
Purchases	<u>185</u>	<u>440</u>
<b>Accumulated cost, December 31</b>	<b>4,995</b>	<b>4,810</b>
Amortisation, January 1	-1,836	-874
Amortisation for the year	<u>-999</u>	<u>-962</u>
<b>Accumulated amortisation, December 31</b>	<b>-2,835</b>	<b>-1,836</b>
<b>Value, December 31</b>		
Capitalised development expenses	2,160	2,974

Amortisation for the year was charged to the Nobel Week in Stockholm and Oslo

TANGIBLE FIXED ASSETS

	Dec. 31, 2013	Dec. 31, 2012
<b>Buildings and land</b>		
<i>Properties, any official designations, addresses</i>		
Humlegården 15 (property designation), Sturegatan 14, Stockholm		
The Norwegian Nobel Institute, Henrik Ibsens gate 51, Oslo		
<i>Buildings</i>		
Cost, January 1/December 31	20,148	20,148
Depreciations and write-downs, January 1/December 31	-19,129	-19,129
	<u>1,019</u>	<u>1,019</u>
<i>Land</i>		
Cost, January 1/December 31	<u>377</u>	<u>377</u>
	377	377
<b>Value of buildings and land, December 31</b>	<b>1,396</b>	<b>1,396</b>
<b>Market value, directly owned properties</b>	<b>174,947</b>	<b>175,148</b>
<b>Equipment</b>		
Cost, January 1	11,936	11,532
Purchases	<u>94</u>	<u>404</u>
<b>Accumulated cost, December 31</b>	<b>12,030</b>	<b>11,936</b>
Depreciation, January 1	-11,005	-10,591
Depreciation for the year	<u>307</u>	<u>-414</u>
<b>Accumulated depreciation, December 31</b>	<b>-11,312</b>	<b>-11,005</b>
<b>Value of equipment, December 31</b>	<b>718</b>	<b>931</b>
<b>The year's depreciation was apportioned as follows:</b>		
Central administration	-155	-236
The Nobel Week in Stockholm and Oslo	<u>-152</u>	<u>-178</u>
	<b>-307</b>	<b>-414</b>

Note 7

MISCELLANEOUS LONG-TERM HOLDINGS OF SECURITIES

	<i>Book value</i>	<i>Market value</i>
<i>Miscellaneous equities</i>		
Prof I Fastigheter Sverige AB	13,754	6,631
	<u>13,754</u>	<u>6,631</u>
<i>Unit trusts (equity mutual funds)</i>		
Skagen Global	73,231	87,226
RAFI US Index	165,117	251,296
RAFI Europe Index	185,729	187,703
RAFI EM Index	36,981	31,097
Aberdeen GEM	149,444	143,196
SHB Mega Sverige Index	243,757	305,431
SHB USA Index	86,474	114,036
SHB Europa Index	114,759	135,850
Viking Long Fund	132,326	182,532
Partners Capital Condor III	38,613	43,775
Partners Capital Condor IV	32,331	46,279
T. Rowe Mid Cap Fund	237,133	289,243
	<u>1,495,895</u>	<u>1,817,664</u>
<i>Property funds</i>		
Carlyle Realty III (US)	0	24,671
Carlyle Realty IV (US)	31,564	26,097
Aberdeen Property Investors (Europe)	61,447	37,907
Aberdeen Property Investors (Asia)	46,577	39,275
White Peak Real Estate (China)	30,434	50,899
Global Infrastructure Partners	56,332	45,693
	<u>226,354</u>	<u>224,542</u>
<i>Hedge funds</i>		
Signet Event	21,169	18,764
Corbin Overlook Performance	1,141	966
D E Shaw	926	926
Tudor BVI Global	507	529
Brevan Howard	54,192	58,543
Viking Global Equities	55,792	80,013
Discovery Global	53,364	82,165
Nektar	107,131	117,009
Millennium	129,772	143,537
Two Sigma	52,264	54,687
Convexity	100,959	94,753
	<u>577,217</u>	<u>651,892</u>



	<i>Book value</i>	<i>Market value</i>
<i>Fixed income investments (more than one-year maturity)</i>		
Mortgage bonds	208,393	210,343
DnB FRN Fund	107,186	110,583
Bluebay Global Div	71,404	82,494
Proventus	27,450	29,231
Market value, currency hedge	-	8,066
	<u>414,433</u>	<u>440,717</u>
	<b>2,727,653</b>	<b>3,141,446</b>

*Note 8*

**OTHER LONG-TERM RECEIVABLES**

	<i>Book value</i>	<i>Market value</i>
Shareholders' loan, Profi I Fastigheter Sverige AB	66,363	66,364

*Note 9*

**PREPAID EXPENSES AND ACCRUED INCOME**

	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>
Accrued interest income	4,975	6,826
Other items	1,310	957
	<u>6,285</u>	<u>7,783</u>

*Note 10*

**OTHER CURRENT RECEIVABLES**

	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>
Nobel Week	1,062	648
Tax claim	728	1,525
Account settlement, Karolinska Institutet	805	610
Account settlement, Nobel Symposia	48	846
Account settlement, Prize Committees	363	0
Miscellaneous receivables	570	83
	<u>3,576</u>	<u>3,712</u>

*Note 11*

MISCELLANEOUS SHORT-TERM INVESTMENTS

(less than one-year maturity)

	<i>Book value</i>	<i>Market value</i>
Mortgage bonds	1,013	1,016
Cleanergy	125	125
Liquidity in managed portfolios	2,915	2,915
	<u>4,053</u>	<u>4,056</u>

*Note 12*

CHANGES IN EQUITY

	<b>Restricted equity</b>	<b>Unrestricted equity</b>	<b>Total</b>
Amount on January 1	2,158,777	624,685	2,783,462
Capitalisation	13,178	-13,178	
Reported income for the year		72,229	72,229
The year's Nobel Prizes		-40,000	-40,000
Amount on December 31	<u>2,171,955</u>	<u>643,736</u>	<u>2,815,691</u>

Unrestricted equity includes the financial base for Symposium activities, comprising funds received from Riksbankens Jubileumsfond as well as the Knut and Alice Wallenberg Foundation.

*Note 13*

ACCRUED EXPENSES AND PREPAID INCOME

	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>
Accrued expenses, Nobel Week	591	1,864
Accrued salaries, including holiday pay liability	390	515
Statutory payroll charges and special employer contribution	864	780
Accrued fees	231	810
Accrued website expenses	0	2,292
Rents paid in advance	491	84
External asset management costs	44	600
Other items	332	500
	<u>2,943</u>	<u>7,445</u>

*Note 14*

OTHER LIABILITIES

	<b>Dec. 31, 2013</b>	<b>Dec. 31, 2012</b>
Account settlement, Nobel Laureates	23,854	26,804
Account settlement, Prize Committees	1,205	4,273
Miscellaneous liabilities	742	381
	<u>25,801</u>	<u>31,458</u>

Stockholm, March 28, 2014

Carl-Henrik Heldin  
Chairman

Göran K. Hansson  
Vice Chairman

Peter Englund

Tomas Nicolin

Kaci Kullmann Five

Staffan Normark

Lars Heikensten  
Executive Director

## AUDITORS' REPORT

To the Trustees of the Nobel Foundation, Swedish organisational ID 802002-4462

## REPORT ON THE ANNUAL ACCOUNTS

We have audited the annual accounts of the Nobel Foundation for the year 2013.

### THE RESPONSIBILITY OF THE BOARD OF DIRECTORS FOR THE ANNUAL ACCOUNTS

The Board of Directors bears responsibility for preparing annual accounts that provide a true and fair view according to the Annual Accounts Act and for such internal controls that the Board deems necessary to prepare annual accounts that are free from material misstatement, whether due to fraud or error.

### THE RESPONSIBILITY OF THE AUDITORS

Our responsibility is to express our opinion on the annual accounts based on our audit. This audit was conducted in accordance with generally accepted auditing standards. For the Authorised Public Accountant, this meant that he conducted the audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require the Authorised Public Accountant to comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and other disclosures in the annual accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Foundation's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### OPINION

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Foundation as of December 31, 2013 and of its financial results and cash flows for the year according to the Annual Accounts Act.

## REPORT ON OTHER LEGAL AND STATUTORY REQUIREMENTS

In addition to our audit of the annual accounts, we have also audited the Board of Directors' administration of the Nobel Foundation during the year 2013.

### THE RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board bears responsibility for the administration of the Nobel Foundation according to Foundations Act and the Foundation's Statutes.

### THE RESPONSIBILITY OF THE AUDITORS

Our responsibility is to express, with reasonable assurance, our opinion on whether our examination has revealed that any member of the Board of Directors has acted in contravention of the Foundations Act or the Statutes. We have conducted our audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion regarding the administration of the Foundation, in addition to our audit of the annual accounts we have examined material decisions, measures and circumstances in the Foundation in order to assess the possibility of liability to the Foundation of any Board member or whether there are grounds for dismissal. We have also examined whether any Board member has in some other way acted in contravention of the Foundations Act or the Nobel Foundation's Statutes.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### OPINION

In our opinion, the members of the Board of Directors have not acted in contravention of the Foundations Act or the Nobel Foundation's Statutes.

Stockholm, March 28, 2014

Katarina Bjelke  
Chairman

Rickard Lundin

Magnus Nordenskjöld

Torgny Lindgren

Gudmund Knudsen

Peter Strandh  
Authorised Public Accountant

## TRUSTEES OF THE NOBEL FOUNDATION

Mr Torgny Håstad, Chairman

### ELECTED BY THE ROYAL SWEDISH ACADEMY OF SCIENCES

Mr Torgny Håstad

Professor Lena Claesson-Welsh

Professor Joseph Nordgren

Professor Torsten Persson

Professor Håkan Wennerström

Professor Anders Björner

#### *Deputy Trustees:*

Professor Siv Andersson

Professor Stefan Claesson

Professor Lars Brink

Professor Kersti Hermansson

### ELECTED BY THE NOBEL ASSEMBLY AT KAROLINSKA INSTITUTET

Professor Karl Tryggvason

Professor Bo Angelin

Professor Rune Toftgård

#### *Deputy Trustees:*

Professor Christer Betsholtz

Professor Juleen Zierath

### ELECTED BY THE SWEDISH ACADEMY

Professor Sture Allén

Professor Göran Malmqvist

Mrs Katarina Frostenson

#### *Deputy Trustees:*

Professor Bo Ralph

Professor Anders Olsson

### ELECTED BY THE NORWEGIAN NOBEL COMMITTEE

Mrs Berit Reiss-Andersen

Mr Gunnar Stålsett

Professor Geir Lundestad

#### *Deputy Trustees:*

Mr Thorbjørn Jagland

Mrs Inger-Marie Ytterhorn

## BOARD OF DIRECTORS

### REGULAR MEMBERS

Mr Marcus Storch, MD h.c., Chairman (until April 30, 2013),  
*Former President and CEO of AGA AB*

Professor Carl-Henrik Heldin, Chairman (from May 1, 2013)

Professor Göran K. Hansson, Vice Chairman, *Secretary of the Nobel Assembly at Karolinska Institutet and of the Nobel Committee for Physiology or Medicine*

Dr Lars Heikensten, *Executive Director*

Professor Peter Englund, *Permanent Secretary of the Swedish Academy*

Mr Tomas Nicolin, MSc

Mrs Kaci Kullmann Five, *Deputy Chair of the Norwegian Nobel Committee*

Professor Staffan Normark, *Secretary General of the Royal Swedish Academy of Sciences*

### DEPUTY MEMBERS

Professor Lars Bergström, *Secretary of the Nobel Committee for Physics*

Professor Astrid Gräslund, *Secretary of the Nobel Committee for Chemistry*

## INTERNATIONAL ADVISORY BOARD

Mr Leif Johansson, Chairman

## INVESTMENT COMMITTEE

Mr Tomas Nicolin, MSc, Chairman

Mr Marcus Storch (until April 30, 2013)

Professor Carl-Henrik Heldin (from May 1, 2013)

Mr Kent Janér

Professor Magnus Dahlquist

Mr Sven Nyman

Dr Lars Heikensten

Mr Gustav Karner, Chief Investment Officer

## AUDITORS

Dr Katarina Bjelke,  
Chairman

appointed by the Government

Mr Peter Strandh,  
Authorised Public Accountant  
Professor Rickard Lundin

elected by the Trustees of the Nobel Foundation

elected by the Royal Swedish Academy of Sciences

Professor Magnus Nordenskjöld

elected by the Nobel Assembly at Karolinska Institutet

Mr Torgny Lindgren

elected by the Swedish Academy

Mr Gudmund Knudsen,  
Attorney at law

elected by the Norwegian Nobel Committee